



U.S.-KOREA TRADE AGREEMENT

Arizona Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Arizona agricultural products, including beef, dairy, and vegetables. Arizona's agricultural exports to all countries, estimated at \$626 million in 2009, supported about 5,000 jobs, on and off the farm. These export sales make an important contribution to the Arizona farm economy, which had total cash receipts of \$2.9 billion in 2009.

Cattle and Beef. The cattle and calf industry is Arizona's largest source of farm cash receipts, at \$600 million in 2009 or 20 percent of the state's total. The KORUS agreement will provide many benefits to the cattle industry.

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Dairy Products. The Arizona dairy industry earned cash receipts of \$492 million in 2009, making it the second largest agricultural industry in the state. Under the KORUS agreement:

- Duty-free tariff rate quotas (TRQ) will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Vegetables and Vegetable Products. The vegetable industry is important to Arizona. Lettuce producers alone had farm cash receipts totaling \$450 million, or 15 percent of the state's total. The KORUS agreement will provide many benefits to the vegetable producers

- Tariffs on cabbage, frozen potato fries, and chipping potatoes (during the U.S. potato shipping season) will be eliminated immediately.
- Other products such as lettuce, broccoli, and cauliflower, with duties currently ranging from 27 - 45 percent, will have tariffs phased out in either 5 or 10 years.
- A new 3,000-ton duty-free TRQ for fresh potatoes and a new 5,000-ton duty-free TRQ for dehydrated potatoes will bring opportunities for growers.

Cotton. The Arizona cotton industry had cash receipts of \$121 million in 2009.

- The agreement will lock in the duty-free access being enjoyed by U.S. cotton exporters. This permanent access will allow U.S. cotton exports to continue to compete on a level playing field with Korea's other trading partners.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Arizona to World
Cattle and Beef	\$8,906,548,162	\$54,000,000
Dairy Products	\$2,335,300,000	\$18,000,000
Vegetables and Vegetable Products	\$5,279,075,013	\$89,000,000
Cotton	\$3,627,979,628	\$134,000,000
Agricultural Total	\$96,632,192,779	\$626,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.